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YUKON ECONOMIC DEVELOPMENT PERSPECTIVE

SUMMARY

Yukon's economy is highly dependent on mining, tourism, government employment and investment. The suspension of operations at Yukon's three hard-rock mines in 1982 precipitated the worst downturn in the Territory's economy since World War II. For several months during the winter of 1982-83, over 2,000 Yukoners, out of a labour force of about 12,000, were receiving regular Unemployment Insurance benefits. Population has declined by 1,600 since June, 1982. The White Pass and Yukon Railway, which suspended operations in October 1982 because of the loss of mineral traffic, remains closed. Production has resumed at United Keno Hill's mine, and government assistance to Cyprus Anvil has enabled that company to carry out a stripping program which is expected to lead to resumption of lead-zinc concentrate production within a year or so. A sustained economic recovery, however, is by no means assured. No major projects, such as Beaufort Sea hydrocarbon production or the Alaska Highway Gas Pipeline, are likely to provide a significant boost to the economy in the short term though Yukon is aggressively seeking to benefit from on-going exploration in the Beaufort. No new mineral developments are assured. The outlook for placer gold mining is reasonably good although uncertainties about both gold prices and regulations governing placer operations make accurate prediction of the future of this sector impossible. The fledgling renewable-resource based industries cannot be expected to take up all the slack left by the decline in the mining sector. Accelerated public works, such as highway improvements and construction of a new air terminal at Whitehorse, and a fairly brisk tourism sector are among the few bright spots.

Major issues affecting Yukon development.

The following are considered to be the major issues affecting Yukon economic development:

1. Few sectors of the Yukon economy are at a comparative advantage over their provincial counterparts. Public expenditures may be justified only in the most promising sectors of the economy, in order to reduce the burden of the Territory on the national economy.
2. It is not clear that mining will recover to the point where it can act as a strong, leading sector of the economy as it has done historically. However, the Territory does have a high mineral potential and there may be deposits, some of which are still to be discovered, which could profitably come into production.

3. Because of its specialization in minerals, and on lead and zinc in particular, the economy is extremely vulnerable to world mineral markets. While diversification of the economy would make it less volatile and vulnerable, the challenge to government is to ensure that measures to diversify the economy do not result in the establishment of businesses with little chance of becoming relatively self-sustaining.
4. Because of climatic, locational and market size factors the cost of living and doing business is high, even though some costs, such as energy, are subsidized.
5. The future of Yukon's transportation system is in doubt since the White Pass and Yukon Railway suspended operations in October, 1982. The Canadian Transportation Commission has not yet completed its investigation into this issue.
6. Uncertainty surrounding Beaufort oil and gas development and the Alaska Highway Gas Pipeline means that neither of these megaprojects can be heavily relied upon to sustain the Yukon economy, although some additional benefits may accrue to the Yukon from on-going exploration in the Beaufort.
7. Unresolved native claims, particularly those of the Council of Yukon Indians and the Committee for Original Peoples' Entitlement, have discouraged the development of the Yukon economy. Very substantial progress towards settlement of the CYI claim in recent months, however, suggests that these uncertainties should be removed in the near future and result in a large injection of capital into the native economy.
8. A deep-seated problem in the Yukon economy is the marginal position of most of the Territory's 6,000 native people. Their generally low levels of formal education and training and their location in smaller communities are among the factors contributing to the large gap in incomes and living standards between Native and non-native populations. Yukon's economic structure, with its specialization in minerals, has not served the Territory's Native people well.
9. The Yukon's economy is largely owned and controlled by outside interests. The long-term development of Yukon's economy would be better served if more local enterprises were involved.

Priorities for Implementation under an EDA

The programming suggested for implementation under an Economic Development Agreement (EDA) would contribute to the federal government's objectives for economic development in Yukon by:

- diversifying the economy away from its heavy dependence on lead-zinc mining, by promoting the development of renewable resource based industries and tourism in keeping with similar thrusts begun under the General Development Agreement;
- enabling more Yukoners, especially Native people, to participate effectively in the economy through initiatives in the renewable resource and small business and tourism sectors, and by undertaking community economic development planning;
- increasing the economic planning capability and coordinating the collection and storage of resource data;
- revitalizing the mineral exploration sector by establishing an incentives program and undertaking geological and geochemical surveys to increase the probability that commercial mineral discoveries will lead to the development of new mines other than lead and zinc; and
- implementing a research and demonstration program related to placer mining, so that this sector can continue to operate profitably.

There is also a strong requirement for additional training opportunities for Native people, but the EDA is not necessarily the most appropriate vehicle for meeting this need.

The Yukon Economic Development Perspective paper proposes that the following subsidiary agreements be negotiated under an EDA:

1. a tourism and small business agreement to assist these sectors through measures not possible under the new Industrial and Regional Development Program and other existing programs;
2. a renewable resource development agreement to undertake projects with a clear potential for enabling Yukon's renewable resources to make a more substantial contribution to the economy and to fund renewable resources demonstration projects with emphasis on promoting increased Native participation in land-based development opportunities;

3. a minerals agreement to establish an exploration incentives program, undertake geochemical surveying and geological mapping, and demonstrate how to increase the profitability of placer mining under more stringent environmental protection measures; and
4. an economic development planning agreement to undertake regional, sectoral and community economic development planning, and to establish a resources data unit to coordinate the activities of all agencies involved in the acquisition of resources data.

Other arrangements are recommended for delivering programs directed particularly towards increasing Native participation in the wage and traditional economies incorporating academic upgrading, an expanded mobile training service, management training, retraining of miners for jobs related to oil and gas exploration in the Beaufort, training for tourism and renewable resource development, and human resources development research and planning.

SUBSIDIARY AGREEMENT ON ECONOMIC DEVELOPMENT PLANNING

This subsidiary agreement will see projects directed to promoting Yukon economic development through increased sectoral, regional and community planning activities

These programs will insure ready access by federal, territorial and local governments to planning expertise to identify opportunities and respond to issues which are of sectoral, regional or local interest thereby facilitating a balanced approach and timely response to development opportunities and growth.

Total federal funding of this agreement will be \$600,000. Both governments will manage the operation of this subsidiary agreement.



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SUBSIDIARY AGREEMENT ON MINERAL RESOURCES

The objectives of this agreement are to promote economic growth in Yukon by means of encouraging the stimulation, strengthening and diversification of Yukon's mineral sector. This will be accomplished by programs directed to facilitating the discovery of new deposits, increased geological mapping and geological surveys, increased support of placer mining through a combination of research and demonstration projects to improve the economic efficiency of the industry and to assist industry in meeting more stringent environmental guidelines on waste water quality standards.

The federal funding of this initiative will be \$3.5 million and the subsidiary agreement will be managed by a committee comprising DIAND, EMR and YTG representatives.

SUBSIDIARY AGREEMENT ON RENEWABLE RESOURCE DEVELOPMENT

The objective of this agreement is to work towards diversifying Yukon's economic base and increasing the opportunities for Yukoners, particularly natives, to participate in development initiatives through the promoting and strengthening of the renewable resources sector. Two programs are planned within this agreement:

1. Renewable Resources Development Assistance would see funding directed to the identification, planning and implementation of studies, inventories and projects by promoting the expansion and development of the renewable resource base to increase the opportunities for viable long-term commercial use and improved efficiency.
2. Renewable Resource Demonstration Projects will see funding of small scale and innovative projects and associated feasibility studies which would lead to the establishment of viable commercial undertakings and enhancement of renewable resource-based industries.

Total funding for this subsidiary agreement would be \$3.8 million. The management of this agreement will be a shared responsibility of the federal and territorial governments.

SUBSIDIARY AGREEMENT ON TOURISM AND SMALL BUSINESS

The objective for this agreement, for which DRIE will be providing the lead, identifies programming to develop themes, attractions and special events reflecting the northern experience: to improve tourism infrastructure; to provide support programs for the tourism industry; and to assist in the identification of business and trade development opportunities. In addition, programming to provide management assistance and development incentives for small business is proposed.

A minimum of \$4 million of federal money has been targeted for this agreement. The management of this agreement will be a shared responsibility of the federal and territorial governments.

